

Opinion **Technology sector**

Victim? Villain? Huawei finds itself trapped in US-China dispute

Judging which incompatible version of the truth is correct is impossible

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What would it take for a large private company to betray its founding purpose, its customers and its staff? Such is the question raised by Huawei, the world's largest maker of telecoms equipment. US intelligence officials view it as a glove for the hand of China's military, a national security threat to be placed under sanctions and driven out of international phone networks. It views itself as an entrepreneurial, research-driven tech company, built on admiration for global business standards, owned by its employees and dedicated to serving the needs of its customers.

Judging which of these wholly incompatible versions is the real Huawei — which means judging whether its equipment can be used to spy or threaten a national communications network — is beyond the reach of any layman. Telecoms equipment is critical and yet unseen. No decisive evidence of a spying backdoor built into past generations of Huawei equipment has ever come to light, but it is impossible to prove they do not or will not exist, which is part of the company's problem.

What can be said with some confidence, though, is that Huawei's version seems real to its more than 200,000 employees. If it is a sham, the sham is elaborate and deeply rooted. That highlights two costs of the current push to "decouple" supply chains from China. First, by forcing an innovative company such as Huawei to duplicate technology lost to sanctions, it turns a \$23bn-a-year research budget away from

developments that would benefit the world at large. Second, by cutting ties with the entrepreneurial Chinese private sector, the US is pushing such companies into the arms of a partner they have previously tried quite hard to avoid: the communist Chinese state.

Although Huawei's founder Ren Zhengfei famously served in the People's Liberation Army, the company's history and structure is quite different to national champions such as CRRC, the state-controlled builder of high-speed trains. As the company tells it, Huawei got its start making cheap-and-cheerful telephone switches for rural Chinese exchanges in the 1980s, when almost nobody had a phone, and the main challenges were unreliable power supplies and rats eating the cabling. Huawei flopped in the Chinese mobile phone market in the 1990s — losing out to western suppliers such as Nokia — and almost went under several times.

None of this sounds like a company with state backing. Nor does the way Huawei ultimately took off. Without prospects in China, it went around the world in the 2000s selling 3G phone networks, succeeding because its products were good value and solved problems for telephone operators. In 2003, after the dotcom bust, Huawei almost [sold itself to Motorola](#) for \$7.5bn, but the US side ultimately walked away.

More recently, the company has indeed become important to many levels of the party-state. When its chief financial officer Meng Wanzhou was arrested in Canada, Beijing was willing to damage diplomatic relations to get her back. Following sanctions, the state has stepped in with billions in subsidies, helping to prop up Huawei's semiconductor arm. The question is whether Huawei has incurred obligations in return.

Huawei's unusual employee ownership structure has been the subject of debate because it is indirect: staff hold shadow units issued by an entity that actually controls the shares. The legalities, though, are not that relevant. What matters is employees believe they own shares and both sides act as if they do. Every few years, Huawei employees go through an elaborate process to elect representatives, who choose the board — a system considerably more democratic than anything allowed in Chinese politics. Ren, the founder, has some veto powers and doubtless effective control, but limited influence over management is common at employee-owned companies around the world.

If Huawei is indeed the private company it claims to be, then consider what it would mean to spy on or sabotage its customers. Huawei tells employees they are owners. In a highly competitive market, it tells them to focus on the needs of the customer, and

has achieved notable success by doing so. It tells everyone that cyber security is its highest priority and the accusations made by foreign intelligence services are false.

The state could compel Huawei to practise espionage, or patriots within the company might feel it their duty. But doing so would come with considerable risks. If it ever came to light it would betray every promise made to customers, and every value the company claims to believe in.

Does that mean it is safe to buy Huawei? Not really. Just as a bank cannot have a credit rating higher than the sovereign that implicitly stands behind it in a crisis, a company cannot be more trustworthy than the government it must answer to — and the Chinese Communist party is definitely not to be trusted.

Rather than viewing Huawei as a villain, however, it should be seen as a victim caught up in a political dispute beyond its control. China and the west may now be destined to fracture into separate technological spheres. The losers, regrettably, will be private companies on both sides of the divide that are trying their best to make the world work better. Follow national security advice on network safety — but do not demonise Huawei simply because it is Chinese.

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